

## consolidated statements of income

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/06	3 Mos. Ended 12/31/05	% Change	12 Mos. Ended 12/31/06	12 Mos. Ended 12/31/05	% Change
<b>Operating Revenues</b>	<b>\$ 22,598</b>	<b>\$ 17,927</b>	26.1	<b>\$ 88,144</b>	<b>\$ 69,518</b>	26.8
<b>Operating Expenses</b>						
Cost of services and sales	9,058	6,246	45.0	34,994	24,200	44.6
Selling, general & administrative expense	6,431	5,063	27.0	25,232	19,652	28.4
Depreciation and amortization expense	3,665	3,466	5.7	14,545	13,615	6.8
Sales of businesses, net	—	—	*	—	(530)	(100.0)
<b>Total Operating Expenses</b>	<b>19,154</b>	<b>14,775</b>	29.6	<b>74,771</b>	<b>56,937</b>	31.3
<b>Operating Income</b>	<b>3,444</b>	<b>3,152</b>	9.3	<b>13,373</b>	<b>12,581</b>	6.3
Equity in earnings of unconsolidated businesses	157	133	18.0	773	686	12.7
Other income and (expense), net	132	22	*	395	311	27.0
Interest expense	(551)	(528)	4.4	(2,349)	(2,129)	10.3
Minority interest	(1,098)	(937)	17.2	(4,038)	(3,001)	34.6
<b>Income Before Provision for Income Taxes, Discontinued Operations and Cumulative Effect of Accounting Change</b>	<b>2,084</b>	<b>1,842</b>	13.1	<b>8,154</b>	<b>8,448</b>	(3.5)
Provision for income taxes	(694)	(532)	30.5	(2,674)	(2,421)	10.5
<b>Income Before Discontinued Operations and Cumulative Effect of Accounting Change</b>	<b>1,390</b>	<b>1,310</b>	6.1	<b>5,480</b>	<b>6,027</b>	(9.1)
Income (loss) from discontinued operations, net of tax <sup>(1)</sup>	(358)	348	*	759	1,370	(44.6)
Cumulative effect of accounting change, net of tax	—	—	*	(42)	—	*
<b>Net Income</b>	<b>\$ 1,032</b>	<b>\$ 1,658</b>	(37.8)	<b>\$ 6,197</b>	<b>\$ 7,397</b>	(16.2)
<b>Basic Earnings per Common Share<sup>(2)</sup></b>						
Income before discontinued operations and cumulative effect of accounting change	\$ .48	\$ .47	2.1	\$ 1.88	\$ 2.18	(13.8)
Income (loss) from discontinued operations, net of tax	(.12)	.13	*	.26	.50	(48.0)
Cumulative effect of accounting change, net of tax	—	—	*	(.01)	—	*
Net income	\$ .35	\$ .60	(41.7)	\$ 2.13	\$ 2.67	(20.2)
Weighted average number of common shares (in millions)	2,916	2,764		2,912	2,766	
<b>Diluted Earnings per Common Share<sup>(2)(3)</sup></b>						
Income before discontinued operations and cumulative effect of accounting change	\$ .48	\$ .47	2.1	\$ 1.88	\$ 2.16	(13.0)
Income (loss) from discontinued operations, net of tax	(.12)	.12	*	.26	.49	(46.9)
Cumulative effect of accounting change, net of tax	—	—	*	(.01)	—	*
Net income	\$ .35	\$ .59	(40.7)	\$ 2.12	\$ 2.65	(20.0)
Weighted average number of common shares-assuming dilution (in millions)	2,919	2,816		2,938	2,817	

**Footnotes:**

- (1) Discontinued Operations includes Verizon Information Services as well as our interests in Telecomunicaciones de Puerto Rico, Inc. and Verizon Dominicana, C. por A.
- (2) EPS totals may not add due to rounding.
- (3) Diluted Earnings per Share includes (i) income related to share dilution (exchangeable equity interests and zero coupon convertible debt) of \$31 million for the year-to-date 2006, and \$17 million and \$60 million for the fourth quarter and year-to-date 2005, respectively, and (ii) the dilutive effect of shares issuable under our stock-based compensation plans, exchangeable equity interests and zero coupon convertible debt, which represent the only potential dilution. The zero coupon debt was retired on May 15, 2006. The exchangeable equity interest was converted on August 15, 2006 by issuing 29.5 million Verizon shares.

\* Not meaningful

## consolidated statements of income before special items

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/06	3 Mos. Ended 12/31/05	% Change	12 Mos. Ended 12/31/06	12 Mos. Ended 12/31/05	% Change
<b>Operating Revenues<sup>(1)</sup></b>						
Wireline	\$ 12,733	\$ 9,359	36.1	\$ 50,794	\$ 37,616	35.0
Domestic Wireless	10,099	8,686	16.3	38,043	32,301	17.8
Other	(234)	(118)	98.3	(693)	(579)	19.7
<b>Total Operating Revenues</b>	<b>22,598</b>	<b>17,927</b>	<b>26.1</b>	<b>88,144</b>	<b>69,338</b>	<b>27.1</b>
<b>Operating Expenses<sup>(1)</sup></b>						
Cost of services and sales	9,039	6,246	44.7	34,969	24,129	44.9
Selling, general & administrative expense	6,238	4,860	28.4	24,416	19,341	26.2
Depreciation and amortization expense	3,665	3,466	5.7	14,545	13,615	6.8
<b>Total Operating Expenses</b>	<b>18,942</b>	<b>14,572</b>	<b>30.0</b>	<b>73,930</b>	<b>57,085</b>	<b>29.5</b>
<b>Operating Income</b>	<b>3,656</b>	<b>3,355</b>	<b>9.0</b>	<b>14,214</b>	<b>12,253</b>	<b>16.0</b>
Operating income impact of operations sold <sup>(1)</sup>	—	—	*	—	62	(100.0)
Equity in earnings of unconsolidated businesses	157	133	18.0	773	686	12.7
Other income and (expense), net	132	26	*	395	325	21.5
Interest expense	(551)	(528)	4.4	(2,323)	(2,129)	9.1
Minority interest	(1,098)	(937)	17.2	(4,038)	(3,001)	34.6
<b>Income Before Provision for Income Taxes and Discontinued Operations</b>	<b>2,296</b>	<b>2,049</b>	<b>12.1</b>	<b>9,021</b>	<b>8,196</b>	<b>10.1</b>
Provision for income taxes	(774)	(618)	25.2	(3,000)	(2,415)	24.2
<b>Income Before Discontinued Operations</b>	<b>1,522</b>	<b>1,431</b>	<b>6.4</b>	<b>6,021</b>	<b>5,781</b>	<b>4.2</b>
Income from discontinued operations, net of tax <sup>(2)</sup>	284	348	(18.4)	1,398	1,370	2.0
<b>Net Income Before Special Items</b>	<b>\$ 1,806</b>	<b>\$ 1,779</b>	<b>1.5</b>	<b>\$ 7,419</b>	<b>\$ 7,151</b>	<b>3.7</b>
<b>Basic Adjusted Earnings per Common Share<sup>(3)</sup></b>						
Income before discontinued operations	\$ .52	\$ .52	—	\$ 2.07	\$ 2.09	(1.0)
Income from discontinued operations, net of tax	.10	.13	(23.1)	.48	.50	(4.0)
Net income	\$ .62	\$ .64	(3.1)	\$ 2.55	\$ 2.59	(1.5)
Weighted average number of common shares (in millions)	2,916	2,764		2,912	2,766	
<b>Diluted Adjusted Earnings per Common Share<sup>(3)(4)</sup></b>						
Income before discontinued operations	\$ .52	\$ .51	2.0	\$ 2.06	\$ 2.07	(0.5)
Income from discontinued operations, net of tax	.10	.12	(16.7)	.48	.49	(2.0)
Net income	\$ .62	\$ .64	(3.1)	\$ 2.54	\$ 2.56	(0.8)
Weighted average number of common shares-assuming dilution (in millions)	2,919	2,816		2,938	2,817	

**Footnotes:**

(1) Reclassifications of prior period amounts have been made, where appropriate, to reflect comparable operating results, primarily to exclude Wireline access lines sold, as follows:

Revenues	\$ —	\$ —		\$ —	\$ 180
Expenses	\$ —	\$ —		\$ —	\$ 118

(2) Discontinued Operations includes Verizon Information Services as well as our interests in Telecomunicaciones de Puerto Rico, Inc. and Verizon Dominicana, C. por A.

(3) EPS totals may not add due to rounding.

(4) Diluted Adjusted Earnings per Share includes (i) income related to share dilution (exchangeable equity interests and zero coupon convertible debt) of \$31 million for the year-to-date 2006, and \$17 million and \$60 million for the fourth quarter and year-to-date 2005, respectively, and (ii) the dilutive effect of shares issuable under our stock-based compensation plans, exchangeable equity interests and zero coupon convertible debt, which represent the only potential dilution. The zero coupon debt was retired on May 15, 2006. The exchangeable equity interest was converted on August 15, 2006 by issuing 29.5 million Verizon shares.

\* Not meaningful

## consolidated statements of income – reconciliations

## Fourth Quarter 2006 and 2005

(dollars in millions, except per share amounts)

Unaudited	3 Mos. Ended 12/31/06 Reported (GAAP)	Special and Non-Recurring Items						3 Mos. Ended 12/31/06 Before Special Items
		Merger Integration Costs	Verizon Center Relocation, Net	Severance, Pension and Benefits Charges	Loss on Sale of Verizon Dominicana	Idearc Spin-Off Related Charges		
<b>Operating Revenues</b>	\$ 22,598	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 22,598
<b>Operating Expenses</b>								
Cost of services and sales	9,058	(19)	—	—	—	—	—	9,039
Selling, general & administrative expense	6,431	(56)	(46)	(91)	—	—	—	6,238
Depreciation and amortization expense	3,665	—	—	—	—	—	—	3,665
<b>Total Operating Expenses</b>	<b>19,154</b>	<b>(75)</b>	<b>(46)</b>	<b>(91)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>18,942</b>
<b>Operating Income</b>	<b>3,444</b>	<b>75</b>	<b>46</b>	<b>91</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,656</b>
Equity in earnings of unconsolidated businesses	157	—	—	—	—	—	—	157
Other income and (expense), net	132	—	—	—	—	—	—	132
Interest expense	(551)	—	—	—	—	—	—	(551)
Minority interest	(1,098)	—	—	—	—	—	—	(1,098)
<b>Income Before Provision for Income Taxes and Discontinued Operations</b>	<b>2,084</b>	<b>75</b>	<b>46</b>	<b>91</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>2,296</b>
Provision for income taxes	(694)	(28)	(16)	(36)	—	—	—	(774)
<b>Income Before Discontinued Operations</b>	<b>1,390</b>	<b>47</b>	<b>30</b>	<b>55</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,522</b>
Income (loss) from discontinued operations, net of tax	(358)	—	—	—	541	101	—	284
<b>Net Income</b>	<b>\$ 1,032</b>	<b>\$ 47</b>	<b>\$ 30</b>	<b>\$ 55</b>	<b>\$ 541</b>	<b>\$ 101</b>	<b>\$ —</b>	<b>\$ 1,806</b>
<b>Basic Earnings per Common Share<sup>(1)</sup></b>								
Income before discontinued operations	\$ .48	\$ .02	\$ .01	\$ .02	\$ —	\$ —	\$ —	\$ .52
Income (loss) from discontinued operations, net of tax	(.12)	—	—	—	.19	.03	—	.10
<b>Net income</b>	<b>\$ .35</b>	<b>\$ .02</b>	<b>\$ .01</b>	<b>\$ .02</b>	<b>\$ .19</b>	<b>\$ .03</b>	<b>\$ —</b>	<b>\$ .62</b>
<b>Diluted Earnings per Common Share<sup>(1)</sup></b>								
Income before discontinued operations	\$ .48	\$ .02	\$ .01	\$ .02	\$ —	\$ —	\$ —	\$ .52
Income (loss) from discontinued operations, net of tax	(.12)	—	—	—	.19	.03	—	.10
<b>Net income</b>	<b>\$ .35</b>	<b>\$ .02</b>	<b>\$ .01</b>	<b>\$ .02</b>	<b>\$ .19</b>	<b>\$ .03</b>	<b>\$ —</b>	<b>\$ .62</b>

Unaudited	3 Mos. Ended 12/31/05 Reported (GAAP)	Special and Non-Recurring Items						3 Mos. Ended 12/31/05 Before Special Items
		Verizon Center Relocation, Net	Pension and Benefit Charges	Severance	Other Special Items	Tax on Repatriated Earnings		
<b>Operating Revenues</b>	\$ 17,927	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 17,927
<b>Operating Expenses</b>								
Cost of services and sales	6,246	—	—	—	—	—	—	6,246
Selling, general & administrative expense	5,063	(46)	(98)	(59)	—	—	—	4,860
Depreciation and amortization expense	3,466	—	—	—	—	—	—	3,466
Sales of businesses, net	—	—	—	—	—	—	—	—
<b>Total Operating Expenses</b>	<b>14,775</b>	<b>(46)</b>	<b>(98)</b>	<b>(59)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>14,572</b>
<b>Operating Income</b>	<b>3,152</b>	<b>46</b>	<b>98</b>	<b>59</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3,355</b>
Equity in earnings of unconsolidated businesses	133	—	—	—	—	—	—	133
Other income and (expense), net	22	—	—	—	4	—	—	26
Interest expense	(528)	—	—	—	—	—	—	(528)
Minority interest	(937)	—	—	—	—	—	—	(937)
<b>Income Before Provision for Income Taxes and Discontinued Operations</b>	<b>1,842</b>	<b>46</b>	<b>98</b>	<b>59</b>	<b>4</b>	<b>—</b>	<b>—</b>	<b>2,049</b>
Provision for income taxes	(532)	(17)	(39)	(23)	(2)	(5)	—	(618)
<b>Income Before Discontinued Operations</b>	<b>1,310</b>	<b>29</b>	<b>59</b>	<b>36</b>	<b>2</b>	<b>(5)</b>	<b>—</b>	<b>1,431</b>
Income from discontinued operations, net of tax	348	—	—	—	—	—	—	348
<b>Net Income</b>	<b>\$ 1,658</b>	<b>\$ 29</b>	<b>\$ 59</b>	<b>\$ 36</b>	<b>\$ 2</b>	<b>\$ (5)</b>	<b>\$ —</b>	<b>\$ 1,779</b>
<b>Basic Earnings per Common Share<sup>(1)</sup></b>								
Income before discontinued operations	\$ .47	\$ .01	\$ .02	\$ .01	\$ —	\$ —	\$ —	\$ .52
Income from discontinued operations, net of tax	.13	—	—	—	—	—	—	.13
<b>Net income</b>	<b>\$ .60</b>	<b>\$ .01</b>	<b>\$ .02</b>	<b>\$ .01</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ .64</b>
<b>Diluted Earnings per Common Share<sup>(1)</sup></b>								
Income before discontinued operations	\$ .47	\$ .01	\$ .02	\$ .01	\$ —	\$ —	\$ —	\$ .51
Income from discontinued operations, net of tax	.12	—	—	—	—	—	—	.12
<b>Net income</b>	<b>\$ .59</b>	<b>\$ .01</b>	<b>\$ .02</b>	<b>\$ .01</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ .64</b>

## Footnote:

(1) EPS totals may not add due to rounding.

Note: See www.verizon.com/investor for a reconciliation of other non-GAAP measures included in this Quarterly Bulletin.

## consolidated statements of income – reconciliations

## Fourth Quarter Year-to-Date 2006 and 2005

(dollars in millions, except per share amounts)

Unaudited	12 Mos. Ended 12/31/06 Reported (GAAP)	Special and Non-Recurring Items							12 Mos. Ended 12/31/06 Before Special Items
		Extinguishment of Debt	Impact of Accounting for Share Based Payments	Merger Integration Costs	Verizon Center Relocation, Net	Severance, Pension and Benefits Charges	Loss on Sale of Verizon Dominicana	Idearc Spin-Off Related Charges	
<b>Operating Revenues</b>	<b>\$ 88,144</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	<b>\$ 88,144</b>
<b>Operating Expenses</b>									
Cost of services and sales	34,994	—	—	(25)	—	—	—	—	34,969
Selling, general & administrative expense	25,232	—	—	(207)	(184)	(425)	—	—	24,416
Depreciation and amortization expense	14,545	—	—	—	—	—	—	—	14,545
<b>Total Operating Expenses</b>	<b>74,771</b>	—	—	(232)	(184)	(425)	—	—	<b>73,930</b>
<b>Operating Income</b>	<b>13,373</b>	—	—	232	184	425	—	—	<b>14,214</b>
Equity in earnings of unconsolidated businesses	773	—	—	—	—	—	—	—	773
Other income and (expense), net	395	—	—	—	—	—	—	—	395
Interest expense	(2,349)	26	—	—	—	—	—	—	(2,323)
Minority interest	(4,038)	—	—	—	—	—	—	—	(4,038)
<b>Income Before Provision for Income Taxes, Discontinued Operations and Cumulative Effect of Accounting Change</b>	<b>8,154</b>	26	—	232	184	425	—	—	<b>9,021</b>
Provision for income taxes	(2,674)	(10)	—	(86)	(66)	(164)	—	—	(3,000)
<b>Income Before Discontinued Operations and Cumulative Effect of Accounting Change</b>	<b>5,480</b>	16	—	146	118	261	—	—	<b>6,021</b>
Income from discontinued operations, net of tax	759	—	—	—	—	(3)	541	101	1,398
Cumulative effect of accounting change, net of tax	(42)	—	42	—	—	—	—	—	—
<b>Net Income</b>	<b>\$ 6,197</b>	\$ 16	\$ 42	\$ 146	\$ 118	\$ 258	\$ 541	\$ 101	<b>\$ 7,419</b>
<b>Basic Earnings per Common Share<sup>(1)</sup></b>									
Income before discontinued operations and cumulative effect of accounting change	\$ 1.88	\$ .01	\$ —	\$ .05	\$ .04	\$ .09	\$ —	\$ —	\$ 2.07
Income from discontinued operations, net of tax	.26	—	—	—	—	—	.19	.03	.48
Cumulative effect of accounting change, net of tax	(.01)	—	.01	—	—	—	—	—	—
<b>Net income</b>	<b>\$ 2.13</b>	\$ .01	\$ .01	\$ .05	\$ .04	\$ .09	\$ .19	\$ .03	<b>\$ 2.55</b>
<b>Diluted Earnings per Common Share<sup>(1)</sup></b>									
Income before discontinued operations and cumulative effect of accounting change	\$ 1.88	\$ .01	\$ —	\$ .05	\$ .04	\$ .09	\$ —	\$ —	\$ 2.06
Income from discontinued operations, net of tax	.26	—	—	—	—	—	.18	.03	.48
Cumulative effect of accounting change, net of tax	(.01)	—	.01	—	—	—	—	—	—
<b>Net income</b>	<b>\$ 2.12</b>	\$ .01	\$ .01	\$ .05	\$ .04	\$ .09	\$ .18	\$ .03	<b>\$ 2.54</b>

Unaudited	12 Mos. Ended 12/31/05 Reported (GAAP)	Special and Non-Recurring Items							12 Mos. Ended 12/31/05 Before Special Items	
		Sales of Businesses, Net	Impact of Operations Sold	Verizon Center Relocation, Net	Lease Impairment and Other Special Items	Tax Benefits	Tax on Repatriated Earnings	Pension and Benefit Charges		Severance
<b>Operating Revenues</b>	<b>\$ 69,518</b>	\$ —	\$ (180)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	<b>\$ 69,338</b>
<b>Operating Expenses</b>										
Cost of services and sales	24,200	—	(71)	—	—	—	—	—	—	24,129
Selling, general & administrative expense	19,652	—	(47)	18	(125)	—	—	(98)	(59)	19,341
Depreciation and amortization expense	13,615	—	—	—	—	—	—	—	—	13,615
Sales of businesses, net	(530)	530	—	—	—	—	—	—	—	—
<b>Total Operating Expenses</b>	<b>56,937</b>	530	(118)	18	(125)	—	—	(98)	(59)	<b>57,085</b>
<b>Operating Income</b>	<b>12,581</b>	(530)	(62)	(18)	125	—	—	98	59	<b>12,253</b>
Operating income impact of operations sold	—	—	62	—	—	—	—	—	—	62
Equity in earnings of unconsolidated businesses	686	—	—	—	—	—	—	—	—	686
Other income and (expense), net	311	—	—	—	14	—	—	—	—	325
Interest expense	(2,129)	—	—	—	—	—	—	—	—	(2,129)
Minority interest	(3,001)	—	—	—	—	—	—	—	—	(3,001)
<b>Income Before Provision for Income Taxes and Discontinued Operations</b>	<b>8,448</b>	(530)	—	(18)	139	—	—	98	59	<b>8,196</b>
Provision for income taxes	(2,421)	194	—	10	(6)	(336)	206	(39)	(23)	(2,415)
<b>Income Before Discontinued Operations</b>	<b>6,027</b>	(336)	—	(8)	133	(336)	206	59	36	<b>5,781</b>
Income from discontinued operations, net of tax	1,370	—	—	—	—	—	—	—	—	1,370
<b>Net Income</b>	<b>\$ 7,397</b>	\$ (336)	\$ —	\$ (8)	\$ 133	\$ (336)	\$ 206	\$ 59	\$ 36	<b>\$ 7,151</b>
<b>Basic Earnings per Common Share<sup>(1)</sup></b>										
Income before discontinued operations and cumulative effect of accounting change	\$ 2.18	\$ (.12)	\$ —	\$ —	\$ .05	\$ (.12)	\$ .07	\$ .02	\$ .01	\$ 2.09
Income from discontinued operations, net of tax	.50	—	—	—	—	—	—	—	—	.50
<b>Net income</b>	<b>\$ 2.67</b>	\$ (.12)	\$ —	\$ —	\$ .05	\$ (.12)	\$ .07	\$ .02	\$ .01	<b>\$ 2.59</b>
<b>Diluted Earnings per Common Share<sup>(1)</sup></b>										
Income before discontinued operations and cumulative effect of accounting change	\$ 2.16	\$ (.12)	\$ —	\$ —	\$ .05	\$ (.12)	\$ .07	\$ .02	\$ .01	\$ 2.07
Income from discontinued operations, net of tax	.49	—	—	—	—	—	—	—	—	.49
<b>Net income</b>	<b>\$ 2.65</b>	\$ (.12)	\$ —	\$ —	\$ .05	\$ (.12)	\$ .07	\$ .02	\$ .01	<b>\$ 2.56</b>

## Footnote:

(1) EPS totals may not add due to rounding.

Note: See www.verizon.com/investor for a reconciliation of other non-GAAP measures included in this Quarterly Bulletin.

## selected financial and operating statistics

Unaudited	(dollars in millions, except per share amounts)	
	12/31/06	12/31/05
Debt to debt and shareowners' equity ratio-end of period	43.1%	49.1%
Book value per common share	\$ 16.48	\$ 14.36
Common shares outstanding (in millions)		
End of period	2,912	2,763
Total employees <sup>(1)</sup>	242,330	206,036

Unaudited	3 Mos. Ended	3 Mos. Ended	12 Mos. Ended	12 Mos. Ended
	12/31/06	12/31/05	12/31/06	12/31/05
Capital expenditures (including capitalized software)				
Wireline	\$ 2,915	\$ 2,051	\$ 10,259	\$ 8,267
Domestic Wireless	1,817	1,522	6,618	6,484
Other	91	81	224	213
Total	\$ 4,823	\$ 3,654	\$ 17,101	\$ 14,964
Cash dividends declared per common share	\$ .405	\$ .405	\$ 1.62	\$ 1.62

**Footnote:**

(1) Prior period has been reclassified to reflect comparable amount.

## consolidated balance sheets

(dollars in millions)

Unaudited	12/31/06	12/31/05	\$ Change
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 3,219	\$ 760	\$ 2,459
Short-term investments	2,434	2,146	288
Accounts receivable, net	10,891	8,534	2,357
Inventories	1,514	1,522	(8)
Assets held for sale	2,592	4,233	(1,641)
Prepaid expenses and other	1,888	2,125	(237)
Total current assets	22,538	19,320	3,218
Plant, property and equipment	204,109	187,761	16,348
Less accumulated depreciation	121,753	114,774	6,979
	82,356	72,987	9,369
Investments in unconsolidated businesses	4,868	4,602	266
Wireless licenses	50,959	47,781	3,178
Goodwill	5,655	315	5,340
Other intangible assets, net	5,140	4,068	1,072
Other assets	17,288	19,057	(1,769)
<b>Total Assets</b>	<b>\$ 188,804</b>	<b>\$ 168,130</b>	<b>\$ 20,674</b>
<b>Liabilities and Shareowners' Investment</b>			
Current liabilities			
Debt maturing within one year	\$ 7,715	\$ 6,688	\$ 1,027
Accounts payable and accrued liabilities	14,320	11,747	2,573
Liabilities related to assets held for sale	2,154	2,870	(716)
Other	8,091	5,395	2,696
Total current liabilities	32,280	26,700	5,580
Long-term debt	28,646	31,569	(2,923)
Employee benefit obligations	30,779	17,693	13,086
Deferred income taxes	16,804	22,831	(6,027)
Other liabilities	3,957	3,224	733
Minority interest	28,337	26,433	1,904
Shareowners' investment			
Common stock	297	277	20
Contributed capital	40,124	25,369	14,755
Reinvested earnings	17,324	15,905	1,419
Accumulated other comprehensive loss	(8,064)	(1,783)	(6,281)
Common stock in treasury, at cost	(1,871)	(353)	(1,518)
Deferred compensation — employee stock ownership plans and other	191	265	(74)
Total shareowners' investment	48,001	39,680	8,321
<b>Total Liabilities and Shareowners' Investment</b>	<b>\$ 188,804</b>	<b>\$ 168,130</b>	<b>\$ 20,674</b>

## condensed consolidated statements of cash flows

(dollars in millions)

Unaudited	12 Mos. Ended 12/31/06	12 Mos. Ended 12/31/05	\$ Change
<b>Cash Flows From Operating Activities</b>			
Net Income	\$ 6,197	\$ 7,397	\$ (1,200)
Adjustments to reconcile net income to net cash provided by operating activities — continuing operations:			
Depreciation and amortization expense	14,545	13,615	930
Sales of businesses, net	—	(530)	530
Loss on sale of discontinued operations	541	—	541
Employee retirement benefits	1,923	1,695	228
Deferred income taxes	(252)	(1,093)	841
Provision for uncollectible accounts	1,034	1,076	(42)
Equity in earnings of unconsolidated businesses	(773)	(686)	(87)
Cumulative effect of accounting change, net of tax	42	—	42
Changes in current assets and liabilities, net of effects from acquisition/disposition of businesses	(1,635)	(2,099)	464
Other, net	1,408	1,069	339
Net cash provided by operating activities — continuing operations	23,030	20,444	2,586
Net cash provided by operating activities — discontinued operations	1,076	1,581	(505)
Net cash provided by operating activities	24,106	22,025	2,081
<b>Cash Flows From Investing Activities</b>			
Capital expenditures (including capitalized software)	(17,101)	(14,964)	(2,137)
Acquisitions, net of cash acquired, and investments	(1,422)	(4,684)	3,262
Proceeds from disposition of businesses	—	999	(999)
Net change in short-term investments	290	(346)	636
Other, net	811	532	279
Net cash used in investing activities — continuing operations	(17,422)	(18,463)	1,041
Net cash used in investing activities — discontinued operations	1,806	(29)	1,835
Net cash used in investing activities	(15,616)	(18,492)	2,876
<b>Cash Flows From Financing Activities</b>			
Proceeds from long-term borrowings	3,983	1,487	2,496
Repayments of long-term borrowings and capital lease obligations	(11,233)	(3,825)	(7,408)
Increase in short-term obligations, excluding current maturities	7,944	2,098	5,846
Dividends paid	(4,719)	(4,427)	(292)
Proceeds from sale of common stock	174	37	137
Purchase of common stock for treasury	(1,700)	(271)	(1,429)
Other, net	(201)	(57)	(144)
Net cash used in financing activities — continuing operations	(5,752)	(4,958)	(794)
Net cash used in financing activities — discontinued operations	(279)	(76)	(203)
Net cash used in financing activities	(6,031)	(5,034)	(997)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,459</b>	<b>(1,501)</b>	<b>3,960</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>760</b>	<b>2,261</b>	<b>(1,501)</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 3,219</b>	<b>\$ 760</b>	<b>\$2,459</b>

## wireline selected financial results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/06	3 Mos. Ended 12/31/05	% Change	12 Mos. Ended 12/31/06	12 Mos. Ended 12/31/05	% Change
<b>Wireline Operating Revenues</b>						
Verizon Telecom						
Mass Markets	\$ 5,514	\$ 5,070	8.8	\$ 22,528	\$ 20,446	10.2
Wholesale	2,061	2,268	(9.1)	8,323	9,075	(8.3)
Other	580	708	(18.1)	2,408	2,593	(7.1)
Verizon Business						
Enterprise Business	3,661	1,497	144.6	13,999	6,018	132.6
Wholesale	866	347	149.6	3,381	1,376	145.7
International and Other	792	—	*	3,110	—	*
Eliminations	(741)	(531)	39.5	(2,955)	(1,892)	56.2
<b>Total Operating Revenues</b>	<b>\$ 12,733</b>	<b>\$ 9,359</b>	<b>36.1</b>	<b>\$ 50,794</b>	<b>\$ 37,616</b>	<b>35.0</b>
<b>Operating Expenses</b>						
Cost of services and sales	6,196	3,971	56.0	24,522	15,604	57.2
Selling, general & administrative expense	2,974	2,131	39.6	12,116	8,419	43.9
Depreciation and amortization expense	2,426	2,219	9.3	9,590	8,801	9.0
<b>Total Operating Expenses</b>	<b>\$ 11,596</b>	<b>8,321</b>	<b>39.4</b>	<b>\$ 46,228</b>	<b>\$ 32,824</b>	<b>40.8</b>
<b>Operating Income</b>	<b>\$ 1,137</b>	<b>\$ 1,038</b>	<b>9.5</b>	<b>\$ 4,566</b>	<b>\$ 4,792</b>	<b>(4.7)</b>
<b>Operating Income Margin</b>	<b>8.9%</b>	<b>11.1%</b>		<b>9.0%</b>	<b>12.7%</b>	
<b>Segment Income</b>	<b>\$ 434</b>	<b>\$ 406</b>	<b>6.9</b>	<b>\$ 1,634</b>	<b>\$ 1,906</b>	<b>(14.3)</b>

\* Not meaningful

## wireline selected operating statistics

Unaudited	12/31/06	12/31/05	% Change			
Switched access lines in service* (000)						
Residence	27,797	30,902	(10.0)			
Business	16,938	17,509	(3.3)			
Public	344	392	(12.2)			
<b>Total</b>	<b>45,079</b>	<b>48,803</b>	<b>(7.6)</b>			
Wholesale voice connections** (000)	3,474	5,518	(37.0)			
Broadband connections (000)	6,982	5,144	35.7			
Unaudited	3 Mos. Ended 12/31/06	3 Mos. Ended 12/31/05	% Change	12 Mos. Ended 12/31/06	12 Mos. Ended 12/31/05	% Change
High capacity and digital data revenues (\$ in millions)***						
Data transport	\$ 3,881	\$ 1,970	97.0	\$ 14,973	\$ 7,660	95.5
Data solutions	343	221	55.2	1,095	829	32.1
<b>Total revenues</b>	<b>\$ 4,224</b>	<b>\$ 2,191</b>	<b>92.8</b>	<b>\$ 16,068</b>	<b>\$ 8,489</b>	<b>89.3</b>

## Footnotes:

\* Includes former MCI In-Franchise retail lines in 2006.

\*\* Resale and UNE-P lines, including lines covered under commercial agreements. Wholesale voice connections in 2006 exclude in-region UNE-P lines purchased by former MCI entities as retail lines.

\*\*\* High capacity and digital data revenues for the year ended December 31, 2006 exclude approximately \$96 million, attributable to amounts earned by the former MCI prior to the completion of the merger with Verizon.

The segment financial results above are adjusted to exclude the effects of special and non-recurring items. The company's chief decision makers exclude these items in assessing business unit performance, primarily due to their non-operational nature.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

## verizon wireless selected financial results

(dollars in millions)

Unaudited	3 Mos. Ended 12/31/06	3 Mos. Ended 12/31/05	% Change	12 Mos. Ended 12/31/06	12 Mos. Ended 12/31/05	% Change
<b>Revenues</b>						
Service revenues	\$ 8,682	\$ 7,430	16.9	\$ 32,796	\$ 28,131	16.6
Equipment and other	1,417	1,256	12.8	5,247	4,170	25.8
<b>Total Revenues</b>	<b>\$ 10,099</b>	<b>\$ 8,686</b>	<b>16.3</b>	<b>\$ 38,043</b>	<b>\$ 32,301</b>	<b>17.8</b>
<b>Operating Expenses</b>						
Cost of services and sales	3,144	2,494	26.1	11,491	9,393	22.3
Selling, general & administrative expense	3,202	2,717	17.9	12,039	10,768	11.8
Depreciation and amortization expense	1,229	1,236	(0.6)	4,913	4,760	3.2
<b>Total Operating Expenses</b>	<b>\$ 7,575</b>	<b>\$ 6,447</b>	<b>17.5</b>	<b>\$ 28,443</b>	<b>\$ 24,921</b>	<b>14.1</b>
<b>Operating Income</b>	<b>\$ 2,524</b>	<b>\$ 2,239</b>	<b>12.7</b>	<b>\$ 9,600</b>	<b>\$ 7,380</b>	<b>30.1</b>
<b>Operating Income Margin</b>	<b>25.0%</b>	<b>25.8%</b>		<b>25.2%</b>	<b>22.8%</b>	
<b>Segment Income</b>	<b>\$ 812</b>	<b>\$ 695</b>	<b>16.8</b>	<b>\$ 2,976</b>	<b>\$ 2,219</b>	<b>34.1</b>

## verizon wireless selected operating statistics

Unaudited	12/31/06	12/31/05	% Change
Subscribers (000)	59,052	51,337	15.0
Penetration	23.1%	20.5%	

Unaudited	3 Mos. Ended 12/31/06	3 Mos. Ended 12/31/05	% Change	12 Mos. Ended 12/31/06	12 Mos. Ended 12/31/05	% Change
Subscriber net adds in period <sup>(1)</sup> (000)	2,305	2,046	12.7	7,715	7,521	2.6
Total churn rate, including prepaid	1.1%	1.2%		1.2%	1.3%	

**Footnotes:**

The segment financial results above are adjusted to exclude the effects of special and non-recurring items. The company's chief decision makers exclude these items in assessing business unit performance, primarily due to their non-operational nature.

Intersegment transactions have not been eliminated.

Certain reclassifications have been made, where appropriate, to reflect comparable operating results.

(1) Includes acquisition of 17,000 and 7,000 customers in the first and second quarters of 2006, respectively; and 32,000, 4,000, 11,000 and 11,000 customers in the first, second, third and fourth quarters of 2005, respectively.